



U.S. Department of the Interior  
Office of Inspector General

# **AUDIT REPORT**

**FOLLOWUP OF RECOMMENDATIONS  
CONCERNING FOOD SERVICES OPERATIONS,  
DEPARTMENT OF EDUCATION,  
GOVERNMENT OF GUAM**

**REPORT NO. 97-I-617  
MARCH 1997**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

APR 3 1997

## MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis  
Inspector General

SUBJECT SUMMARY: Final Audit Report - "Followup of Recommendations Concerning Food Services Operations, Department of Education, Government of Guam" (97-I-617)

Attached for your information is a copy of the subject final audit report. The objective of the followup review was to determine whether the Government of Guam's Department of Education had satisfactorily implemented the recommendations made in our 1988 report and whether any new recommendations were warranted.

We concluded that the Department of Education had implemented all eight of the recommendations made in our prior audit report. However, during our current review, we found that the Department had not retained student applications for the 3-year period mandated by program regulations and had not prepared severe need analyses to determine school eligibility for higher reimbursement rates. This occurred because the Department had not developed adequate written procedures to address these deficiencies. As a result, the Department incurred questioned costs of \$351,231. We made five new recommendations to the Department in the report.

Based on the response to the draft report from the Department of Education, we considered two of the report's five recommendations resolved and implemented. However, the Department was asked to reconsider the recommendation relating to amending the Food Services Guide to include a requirement on maintaining program records and to provide additional detailed information for the recommendations on employee qualifications and severe need analyses.

If you have any questions concerning this matter, please contact me at (202) 208-5745 or Mr. Robert J. Williams, Assistant Inspector General for Audits, at (202) 208-4252.

Attachment



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

MAR 26 1997

## AUDIT REPORT

Ms. Gloria Nelson  
Chairperson, Territorial Board of Education  
Department of Education  
P.O. Box DE  
Agana, Guam 96910

Subject: Audit Report on Followup of Recommendations Concerning Food Services Operations, Department of Education, Government of Guam (No. 97-I-617)

Dear Ms. Nelson:

This report presents the results of our followup review of recommendations contained in our July 1988 audit report "Food Services Operations, Department of Education, Government of Guam" (No. 88-92). The objective of the followup review was to determine whether the Government of Guam's Department of Education had satisfactorily implemented the recommendations in our 1988 report and whether any new recommendations were warranted.

### BACKGROUND

The National School Lunch Act of 1946 and the Child Nutrition Act of 1966 authorized the Food and Nutrition Service (now called the Food and Consumer Service), U.S. Department of Agriculture, to enter into agreements with state agencies for the purpose of providing funds to ensure that all children attending school receive nutritious meals. On Guam, the Department of Education serves as the state agency, and within the Department, the Food Services Section is responsible for administering and monitoring the meal programs.

For school years 1992-1993, 1993-1994, and 1994-1995, the Department received \$9.2 million of Federal funds. During this period, 12 million meals were served to children at 42 public and private schools, including those under the Head Start Program, and at the Department of Youth Affairs.

## **SCOPE OF AUDIT**

To accomplish our audit objective, we reviewed documents and records pertaining to the Department's food services operations for school years 1992-1993, 1993-1994, and 1994-1995. In addition, we interviewed Departmental personnel responsible for administering the National School Lunch Program and the School Breakfast Program.

This followup review was conducted at the Department's Food Services Section; at 24 schools; and at the Head Start Program office, which is an independent office "within the Department of Education. Our review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. Because of the limited scope and objective of our review, internal controls were reviewed only to the extent that they related to corrective actions taken on the prior recommendations.

## **PRIOR AUDIT COVERAGE**

During the past 5 years, no audit reports have been issued by the General Accounting Office or the Office of Inspector General that evaluated the operations of the Food Services Section on Guam. However, our July 1988 audit report concluded that the Department: (1) prepared inaccurate claims for reimbursement from the former Food and Nutrition Service, U.S. Department of Agriculture; (2) did not charge teachers, volunteer parents, and ineligible students for meals; and (3) performed inadequate school oversight reviews. This occurred because the Department had not enforced the requirement for schools to develop written procedures to ensure accurate accounting for meals served. In addition, schools had been instructed by Departmental officials not to charge teachers, volunteer parents, and ineligible students for meals. Finally, the Department did not have written instructions for the performance of oversight reviews. As a result, from August 1985 to October 1987, the Department claimed \$529,379 in excess reimbursements, did not collect \$208,924 for meals served, and did not detect these discrepancies during its oversight reviews. Because of these deficiencies, we made eight recommendations in the prior report to the Department (see Appendix 3).

## **RESULTS OF AUDIT**

We found that the Department of Education had implemented seven of the eight recommendations made in our 1988 audit report and had partially implemented the remaining recommendation. (These prior recommendations are summarized in Appendix 3.) However, our followup review disclosed that: (1) seven schools and the Head Start Program office had not retained approved student applications for free and reduced-price meals and (2) the Department had not prepared analyses to determine a school's eligibility to receive additional reimbursement (severe need analyses) and to identify those schools that were eligible for higher reimbursement rates. These conditions occurred because the Department: (1) had not developed written procedures that require schools to notify Food Services when

personnel performing meal program duties were changed to ensure that new employees were trained and (2) had not developed monitoring control procedures to ensure that program records were retained for 3 years and that severe need analyses were prepared for determining school eligibility for assistance. As a result, the Department was unable to support incurred costs totaling \$351,231. Based on the deficiencies identified during our followup audit, we made five new recommendations.

## **Program Records**

The Code of Federal Regulations (7 CFR 3015.2 1 ) requires the Department to maintain all program records “for 3 years from the starting date specified in [Section] 3015 .22.” Section 3015.22 states, “The 3-year retention period for the records of each funding period starts on the day the recipient submits to USDA [U.S. Department of Agriculture] its annual or final expenditure report for that period. ” Further, Title 7 requires the Department to review and monitor its food services operations. Specifically, Section 210. 18(c)(1) requires the Department to conduct, on a cyclical basis, comprehensive administrative reviews at the schools to determine whether the schools are complying with program requirements. Finally, Section 210.8(a)(1 ) requires the Department to perform annually at least one on-site monitoring review of each school to determine whether the schools are complying with program requirements for processing applications, collecting cash, and counting meals served. Schools are required to maintain student applications, meal preparation reports, reimbursement claims, and food inventory reports. The Department had implemented an on-site monitoring review of all schools; however, its review guide did not include a determination that the schools maintain student applications for the required 3 years.

Based on our visits to 24 of the 35 public schools and the Head Start Program office, we found that meal preparation reports, reimbursement claims, and food inventory reports were tested and found to be satisfactorily maintained. However, we also found that: (1 ) two schools had not retained school year 1994-1995 applications for those students who had transferred to other schools; (2) one school could not locate school year 1994-1995 applications for students who had received reduced-price meals and had not retained any school year 1992-1993 applications; and (3) four schools and the Head Start Program office had not retained any applications for school year 1992-1993. As a result, the seven schools and the Head Start Program office were unable to support claims for reimbursement for free and reduced-price meals totaling \$334,882.

The Acting Administrator of the Food Services Section said that the Department had conducted training workshops which included the requirement for retaining program records for 3 years. However, the Acting Administrator said that records had not been retained because new personnel assigned to food services operations at the schools had not received the required training. Therefore, we believe that the Department should develop written procedures to require schools to notify the Food Services Section when school personnel responsible for performing activities for the meal programs are changed so that the new employees are adequately trained. In addition, we believe that the Department’s Food Services Section monitoring guide should be amended to include a requirement that record retention procedures should be reviewed at the schools. Further, the Department should

report the \$334,882 of unsupported claims to Agriculture's Food and Consumer Service for a determination of eligibility.

## **Severe Need Analyses**

Severe need assistance is a provision within the School Breakfast Program Regulations that allows the Department to receive a higher reimbursement rate for breakfast meals served at qualifying schools. Title 7, Chapter II, Section 220.9(e), of the Code of Federal Regulations states that schools are eligible to receive severe need assistance when "40 percent or more of the lunches served to students at the school in the second preceding school year were served free or at a reduced price."

For school year 1994-1995, we found that the Department had not prepared severe need analyses that were based on data from the required second preceding school year (that is, school year 1992- 1993). Instead, the Department continued to claim severe need based on analyses from school year 1990-1991. At our request, the Department prepared a free and reduced-price meal analysis for the School Breakfast Program based on school year 1992-1993 data. This analysis showed that 6 of the 18 schools that received severe need assistance for school year 1994-1995 were not eligible for this assistance. In addition, the analysis showed that one school was eligible but did not receive severe need assistance in school year 1994-1995. As a result, the Department received net excess reimbursements of \$16,349 for school year 1994-1995 under the School Breakfast Program.

According to the Acting Administrator, the responsibility for preparing the claims for Federal reimbursement (including claims for severe need assistance) was transferred in April 1993 from the Food Services Section to the Department's Business Office. The Acting Administrator said that the transfer of responsibility and the absence of procedures resulted in the severe need analyses not being prepared. Therefore, we believe that the Department should develop and implement procedures to ensure that the analyses are prepared to determine school eligibility under the Severe Need Program. In addition, the Department should report the \$16,349 of excess reimbursements received to Agriculture's Food and Consumer Service.

## **Recommendations**

We recommend that the Chairperson, Territorial Board of Education, require the Director, Department of Education, to:

1. Notify the Department of Agriculture's Food and Consumer Service of the \$334,882 of unsupported reimbursements received under the National School Lunch and School Breakfast programs for a determination of the allowability of those reimbursements.
2. Develop and implement written procedures to require schools to notify the Food Services Section when school personnel responsible for performing meal program duties are changed to ensure that new employees are adequately trained.

3. Amend the Food Services Section monitoring guide to require the reviewers to determine whether the schools are maintaining program records, including student applications, for 3 years.

4. Develop and implement written procedures to ensure that severe need analyses are prepared to determine school eligibility under the Severe Need Program.

5. Notify Agriculture's Food and Consumer Service of the \$16,349 of excess severe need reimbursements received under the School Breakfast Program.

## **Department of Education Response and Office of Inspector General Reply**

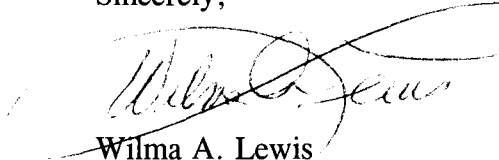
In the January 21, 1997, response (Appendix 4) to the draft report from the Director of the Department of Education, the Department concurred with all of our recommendations. Based on the response, we consider Recommendations 1 and 5 resolved and implemented, and additional information is needed for us to consider Recommendations 2 and 4 resolved (see Appendix 5). However, even though the Department stated concurrence with Recommendation 3, we consider it unresolved. Specifically, the Department stated that the Food Services Section's examiner performs monitoring reviews of food services operations at the schools and that the Section's standard operating procedures include a requirement for program records to be maintained for 3 years. Although we concur with the statement in the response that the Food Services Section's standard operating procedures include a requirement for schools to maintain program records for 3 years, the Section's monitoring guide (also referred to as the monitoring checklist) used by the examiner does not include a requirement for the examiner to verify that schools are maintaining program records for the required 3-year period. As discussed in the report, we found that 7 of the 24 schools reviewed and the Head Start Program Office did not properly maintain program records. Therefore, the Department is requested to reconsider the recommendation (see Appendix 5).

The Inspector General Act, U.S. Public Law 95-452, Section 5(a)(3), as amended, requires semiannual reporting to the U.S. Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective actions has not been taken.

In view of the above, please provide a response, as required by Public Law 97-357, to this report by May 8, 1997, to our North Pacific Regional Office, 238 Archbishop F.C. Flores St., Suite 807, Pacific News Building, Agana, Guam, 96910. The response should provide the information requested in Appendix 5.

We appreciate the assistance of Department of Education personnel in the conduct of our audit.

Sincerely,



Wilma A. Lewis  
Inspector General

cc: Director, Department of Education,  
Government of Guam



**CLASSIFICATION OF MONETARY AMOUNTS**

<u>Finding Areas</u>	<u>Questioned Costs*</u>
Retention of Program Records	\$334,882
Determination of Severe Need Assistance	<u>16,349</u>
Total	<u><u>\$351,231</u></u>

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\*Amounts represent Federal funds.

**DEPARTMENT OF EDUCATION,  
GOVERNMENT OF GUAM,  
SCHEDULE OF FEDERAL REIMBURSEMENTS AND  
QUESTIONED COSTS**

<u>School Year/Prom-am</u>	<u>Federal Reimbursement</u>	<u>Amount Tested</u>	<u>Questioned Costs</u>	
			<u>Unallowed costs</u>	<u>Unsupported costs</u>
<u>1992-1993:</u>				
National School Lunch	\$1,994,028	\$1,035,858		\$154,952
School Breakfast	668,328	340,734		53,873
Head Start*	117,981	117,981		102,648
<u>1993-1994:</u>				
National School Lunch	2,401,987	1,209,548		
School Breakfast	832,882	381,774		
Head Start*	125,665	125,665		
<u>1994-1995:</u>				
National School Lunch	2,484,248	1,476,340		23,049
School Breakfast	802,716	435,325	\$16,349	360
Head Start*	124,543	124,543	<u>          </u>	<u>          </u>
Totals			<u>\$16,349</u>	<u>\$334,882</u>

\*Amounts represent Federal reimbursements for meals served to Head Start Program students participating in the National School Lunch and School Breakfast Programs.

**SUMMARY OF RECOMMENDATIONS AND CORRECTIVE ACTIONS  
FOR AUDIT REPORT  
“FOOD SERVICES OPERATIONS,  
DEPARTMENT OF EDUCATION, GOVERNMENT OF GUAM”  
(NO. 88-92)**

Recommendations	Corrective Actions
<p>A 1. Inform the Food and Nutrition Service of the \$529,379 in excess reimbursements received under the National School Lunch, School Breakfast, and Severe Need Programs and arrange for repayment.</p>	<p>Implemented. The Department informed the Food and Nutrition Service of the excess reimbursements, and, based on a April 7, 1989, letter from the Nutrition Service to the Department, the excess reimbursements were recovered by the Nutrition Service.</p>
<p>A.2. Compute the excess reimbursements received from October 1987 to the present under the National School Lunch and Breakfast Programs and report the amount to the Food and Nutrition Service.</p>	<p>Implemented. The Department reported the excess reimbursements to the Food and Nutrition Service, and, based on a September 11, 1991, letter from the Nutrition Service to the Department, the excess reimbursements were recovered by the Nutrition Service.</p>
<p>A.3. Discontinue the practice of serving free and reduced-price meals to students who do not have approved applications on file for the current school year.</p>	<p>Partially implemented. Based on our review of applications at 14 of 35 public schools, we found that 2 schools did not retain approved current year applications for students who transferred and that 1 school could not locate its current year applications.</p>
<p>A.4. Obtain written procedures, for Departmental review and approval, from every school for preparing accurate Cafeteria Monthly Collection Reports, as required by the Free and Reduced-Price Meal Policy Administrative Guidance. These procedures should emphasize the requirement for maintaining appropriate records for the 3 years prior to the current school year.</p>	<p>Implemented. The Department had developed a comprehensive standard operating procedures manual, which provided instructions for collecting cash, approving applications, issuing meal tickets, and preparing meal reports. The manual emphasized the requirement for schools to retain student applications for at least 3 years.</p>

Recommendations	Corrective Actions
<p>A.5. Correct the Severe Need Program claim records to reflect only those schools that are eligible, compute the amount of excess reimbursements claimed since October 1987, and report the amount to the Food and Nutrition Service.</p>	<p>Implemented. The Department reported the excess reimbursements to the Food and Nutrition Service, and, based on a September 11, 1991, letter from the Nutrition Service to the Department, the excess reimbursements were recovered by the Nutrition Service.</p>
<p>A.6. Discontinue the practice of providing free meals to teachers, volunteer parents, and ineligible students enrolled in summer school and the Head Start Program,</p>	<p>Implemented. Based on our review of records at the Food Services Section for meals claimed during summer school and under the Head Start Program, the Department had stopped providing free meals served to ineligible persons.</p>
<p>A.7. Compute the amount of excess reimbursements in the Head Start Program for the current and prior 2 school years and report this amount to the Food and Nutrition Service.</p>	<p>Implemented. The Department reported the excess reimbursements to the Food and Nutrition Service, and, based on a September 11, 1991, letter from the Nutrition Service to the Department, the excess reimbursements were recovered by the Nutrition Service.</p>
<p>A.8. Develop specific written procedures for conducting Assessment, Improvement, and Monitoring System reviews to ensure compliance with Title 7, Section 210.18, of the Code of Federal Regulations.</p>	<p>Implemented. The procedures, as stated in the Department's response, for performing Assessment, Improvement, and Monitoring System reviews generally appeared to be sufficient to ensure compliance with the requirements of Title 7.</p>



## DEPARTMENT OF EDUCATION

P.O. Box DE  
Agana, Guam 96932  
Tel: (671) 475-0457  
Fax: (671) 472-5003



**ROLAND L.G. TAIMANGLO**  
Director of Education

January 21, 1997

**DR. ALINE YAMASHITA**  
Deputy Director

Mr. Peter J. Scharwark  
Senior Auditor  
U.S. Department of the Interior  
Office of Inspector General  
North Pacific Region  
238 Archbishop F.C. Flores Street  
Suite 807, PDN Bldg.  
Agana, Guam 96932

Dear Ms. Scharwark,

This is in response to the DRAFT AUDIT REPORT NO. N- IN-GUA-011-96 on Food Services Operations Recommendations.

### RECOMMENDATIONS:

1. Notify the Department of Agriculture's Food and Consumer Services of the \$ 334,822 of the unsupported reimbursements received under the National School Lunch and School Breakfast Programs for a determination of the allowability of those reimbursements.

### RESPONSE: CONCURRENCE

2. Develop and implement written procedures to require the school to notify the Food Services Section when school personnel responsible for performing meal program duties are changed to ensure that new employees are adequately trained.

### RESPONSE: CONCURRENCE

3. Amend the Food Service Section monitoring guide to require the reviewers to determine whether the schools are maintaining program records, including student applications for three (3) years.

### RESPONSE:

The Food Service Section, Federal Examiner conducts coordinated review effort and monitor all areas of food service operations at schools which include the reporting and recordkeeping. The Food Service Section developed the Administrative Guidance Manual, Food Service Standard Operating Procedures that prescribed the procedures and guidelines in maintaining the documents and also the Government of Guam Record Management handbook and this also prescribed procedures and guidelines in maintaining of records.



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Letter to Senior Auditor,  
01/21/97

4. Develop and implement written procedures to ensure that severe need analysis are prepared to determine school eligibility under Severe Need Program.

RESPONSE: CONCURRENCE

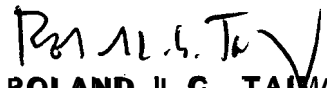
5. Notify Agriculture's Food and Consumer Service of the \$ 16,349 of excess severe need reimbursements received under the School Breakfast Program.

RESPONSE: CONCURRENCE

1 thank you for your assistance and I want to assure you that corrective action will be made in all recommendations.

If you have any further question(s), please do not hesitate to contact Ms. Herbie A. Perez, Administrator, Financial Affairs at 475-0418.

Sincerely,

  
**ROLAND L.G. TAIMANGLO**  
Director of Education

cc: Administrator, Financial Affairs

## STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation <u>Reference</u>	<u>Status</u>	<u>Action Required</u>
1	Implemented.	No further action is required.
2	Management concurs; additional information needed.	Provide target dates and titles of the officials responsible for developing and implementing written procedures to ensure that new employees are adequately trained. When completed, a copy of the written procedures should be provided to the Office of Inspector General.
3	Unresolved.	Reconsider the recommendation, and provide a plan that includes target dates and titles of officials responsible for amending the Food Services Section monitoring guide to require reviewers to determine whether schools are maintaining program records for 3 years.
4	Management concurs; additional information needed.	Provide target dates and titles of the officials responsible for developing and implementing written procedures to ensure that severe need analyses are prepared. When completed, a copy of the written procedures should be provided to the Office of Inspector General.
5	Implemented.	No further action is required.

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SHOULD BE REPORTED TO  
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